

WorkFirst Reexamination Workgroup

Focus Area Briefing Paper

Issue: Temporary Assistance for Needy Families (TANF) High Performance Bonuses and increases in Child Care and Development Fund (CCDF)

Goal: Maximize revenue to support program

Description: What can Washington State do to increase the probability that we receive high performance bonus awards? What is the likelihood that the state will receive an increase in its CCDF funding with Temporary Assistance for Needy Families (TANF) reauthorization?

Cost / Savings: No additional costs are projected since it is assumed that the state would focus the performance of existing activities to maximize potential to earn bonuses. However, it is important to note that under TANF reauthorization, approximately half of the funds available for high performance bonuses would be diverted to grants to states and require a 50% state match.

Background: Current revenue estimates for Fiscal Years 2006 and 2007 assume that there will be an increase in federal revenue into “the box” of \$12.5 million per year. This assumption was based on the state’s historical high performance bonus earnings and the fact that TANF reauthorization discussions have included proposed increases in Child Care and Development Funds (CCDF) for Washington State that are in the range of \$0 to \$35 million per year.

Research results: The 1996 federal Welfare Reform Act authorized high-performance bonuses of \$200 million each year from FY 1999 through FY 2002. These high-performance bonuses rewarded states for annual results in four work or outcome measures. Performance is measured in the following areas:

- 1) Job placement rate (also referred to as job entry)
- 2) Job success (a combination of two work-related measures: job retention and earnings gain rate)
- 3) Increase in job placement
- 4) Increase in job success

In 1999 TANF regulations were issued that expanded the criteria used for awarding high performance bonuses to include:

- 1) Medicaid/SCHIP enrollment rates of former TANF recipients
- 2) Increase in Medicaid/SCHIP enrollment rates of former TANF recipients
- 3) Food Stamp participation rates of low-income working households with children
- 4) Increase in Food Stamp participation rates of low-income working households with children
- 5) Performance in payment of child-care subsidies
- 6) Increase in the percent of children living in married-couple families

Washington State has earned high performance bonuses of up to \$13.6m (SFY 2002) for its performance (compared to the performance of other states) in the areas of Child Care

Subsidies and Success in the WorkForce. The state received this bonus in SFY 2002 for its performance in Federal Fiscal Year 2001.

Under the continuing resolutions that have occurred, as Congress has not acted on TANF reauthorization, the program continues unchanged.

TANF Reauthorization

High Performance Bonuses

Under TANF reauthorization, high performance bonus funding will likely be cut from \$200 million to \$50 million per year. The other \$150 million will likely be diverted towards healthy-marriage programs and responsible fatherhood. These programs are expected to be more additional funding for pilot projects rather than for traditional performance bonuses. For example, under current TANF provisions, there is a bonus of up to \$100 million annually for the five jurisdictions with the greatest percentage decrease in non-marital birth ratios and abortions compared to 1995 levels (this fits in the “increase in children living in two-parent families” criteria). Under the U.S. Senate’s Personal Responsibility and Income Development for Everyone (PRIDE) version of TANF reauthorization, this \$100 million would be replaced with competitive grants to states that would be required to meet a 50% matching rate. The grant is intended to promote and support healthy, married two-parent families and encourage responsible fatherhood. The funds must support advertising campaigns on the values of marriage, the skills needed to increase marital stability and health, and high school education on the importance of healthy marriages and relationships. In addition to diverting \$100m of the current high performance bonus pool for the purpose stated above, the PRIDE version of TANF reauthorization would also divert \$50 million of funds previously used for high performance bonuses to create a fund used for states and national entities to conduct demonstration programs that promote responsible fatherhood. The current speculation is that \$20 million of this funding would be earmarked for states and \$30 million would be earmarked for “national entities” (to include local governments, local public agencies, community-based or non-profit organizations, and charitable or faith-based organizations).

Child Care and Development Fund Increases

Under the PRIDE version of TANF reauthorization, Washington State would see an increase in CCDF funds of approximately \$31 million per year (FFIS Issue Brief 05-11).

Benefits: The current FY 2006 target of \$40.8 million excludes any enhanced revenue.

Risks or unintended consequences: The award of high performance bonuses is based on a state’s performance in targeted areas compared to other state’s performance in those same areas. The likelihood of Congress finally tackling TANF reauthorization is difficult to predict. If we assume \$12.5m per year of enhanced revenue, TANF is reauthorized and the state receives \$30m per year of enhanced revenue, then we’ll have reduced the program too much. If we assume \$12.5m per year of enhanced revenue and it does not materialize, we will have to look at further program reductions.

Implementation issues: None.